

We must also do the right things to reduce health disparities. It is simply wrong that an African American male the same age as myself is significantly more likely than am I to contract heart disease. We need to provide not only research, but action in this area. Every American deserves the highest quality health care, regardless of race.

I hope they will celebrate the fact that we fought an aggressive and effective war against AIDS, the plague of our time—and perhaps of all time. A disease that disproportionately affects African Americans and indeed, the continent of Africa.

Mr. President, last month we celebrated the amazing accomplishments of African Americans throughout our history. Let us also celebrate a joint commitment to ensure that our contribution to Black history—really, to American history—will be that we serve well, do what is right, and leave the world a better place.

#### DOUBLE TAXATION OF DIVIDENDS AND CORPORATE GOVERNANCE

Mr. CRAIG. Mr. President, I come to the floor this afternoon to speak with my colleagues as chairman of the Special Committee on Aging. Every person in this Chamber, every Senator, has an abiding interest in the welfare of America's seniors. The issue I wish to speak to this afternoon is, No. 1, how double taxation unfairly targets older Americans and the disastrous effect of the dividend penalty on corporate governance.

During the first week of February, the Aging Committee held a hearing entitled "Tax Fairness: Does Double Taxation Unfairly Target Older Americans?"

Those attending the Aging hearing learned that older Americans, both working and retired, are subject to double taxation more than any other age group in the United States. Just yesterday, Larry Kudlow, economist-spokesman on Fox News, a television commentator, was here to speak to many of us on the issue of double taxation. Older Americans are literally being taxed to death by their own Government.

Let me share with you three reasons seniors are double taxed. The reality is, first, many seniors pay taxes twice on Social Security benefits. Secondly, the Government collects the death tax when a senior passes on. Third, dividend income is also taxed twice; it is taxed once at the company level and again at the individual level. Older Americans are more likely to hold investments that pay dividends than any other age group. Over 70 percent of all taxable dividend payments are received by Americans age 55 and older.

Clearly, eliminating the dividend penalty will benefit older Americans and seniors who have worked hard all of their lifetime, sacrificed, and saved a nest egg for their retirement. More than 9 million seniors age 65 years and

older, many on fixed incomes, rely on dividend income to make ends meet from month to month. The average—and this is an important figure because, remember, our critics are saying, but this is just for the rich; remember, 9 million seniors, 65 years of age and older—dividend income for these taxpayers is a little over \$4,000 per year. But \$4,000 additional money per year for someone living on a fixed income is a substantial amount of money.

Let me share with you the testimony of one of the witnesses at the Aging Committee hearing, Dick Buxton from Idaho. Mr. Buxton was there to talk about the beneficial impact of ending double taxation on dividends and what it would do to his father and mother-in-law. His father is 89 years old, a railroad retiree; his mother-in-law is 91 years old and a retired schoolteacher. They both worked very hard all their lives, saved a little money, and invested in corporations that paid dividends as a part of their life savings to benefit their income.

They are not wealthy people. They are what is clearly part of the number I am talking about. They are not retired Wall Street investment bankers. They are not wealthy heirs to family fortunes. These are the middle-class seniors who were frugal throughout their lifetime and saved a nest egg for retirement. These are the faces of seniors across the country who should not be penalized for saving. That is what our President has said, and that is one of the reasons he has offered up the opportunity to take down the double taxation of dividends. These are the kind of people who would benefit clearly from the abolition of that double taxation.

Ending the dividend penalty not only benefits older Americans. It gives a much needed boost to our economy. It also makes corporations more accountable. At the hearing, we learned that restoring trust in ensuring the honest financial management of our Nation's companies is extremely important as an issue of this moment in our Nation's history. Larry Kudlow spoke very clearly to that issue yesterday, that it is a unique time in our Nation's investment history, and we need to give this area of our economy a jolt. Improving confidence in our financial markets is critical to all workers, retirees, especially after the Enron and WorldCom debacles.

How would ending the dividend penalty improve corporate accountability? Well, dividends don't lie. You either have the cash to pay them or you don't. Increases in dividend payments would provide a clear and unmistakable signal of a company's strength and viability in the market to the average person who would invest in that company. No corporate report, no message by a corporate executive saying: Here is what we are going to do, and here is how we are going to bump the stock, and here is the game we are playing for

all of your investors as the story. The story is, are we making a profit and are we paying a dividend. That is kind of the old way that created the stability in corporate America that most investors began to rely on years ago.

Dividends signal stability. They encourage shareholders to hold for the long term even when companies go through tough times. For example, Bristol-Myers is a company that has gone through tough times recently. The current annual dividend is \$1.12, with a yield of about 5 percent. Investors know Bristol-Myers is basically a sound, healthy, productive company.

The dividend is a big part of investor confidence in the long-term strength of a company. The psychology of shareholders changes with short-term to long-term as it relates to the value of dividends and when those dividends go up.

Dividends encourage internal investment in only the best ideas. Dividends are taxed at a much higher rate than capital gains. The higher dividend tax encourages companies to hoard cash rather than pay it out in dividends. The dividend penalty causes too much money to be chasing too few good investment ideas. We have seen that in spades as companies have come tumbling down as a result of bad decisions made by corporate America.

One of our experienced witnesses known as an expert, Hillary Kramer, who is often on television and has her own program, speaking to the stability of investment, spoke about United Airlines. Over the past couple of decades, UAL invested their cash in Internet ventures and car rentals and hotels. United Airlines ventured out of their core competency; that is, getting people from one spot to another on an airliner, in part because the Tax Code pushed them in that direction. Shareholders might have been better served if they had paid a higher dividend instead and stayed with the business of efficiently and safely moving people through their airlines.

The dividend penalty diverts cash away from shareholders into bad but tax-favored activities. On the other hand, paying cash out in dividends encourages stockholders to channel the cash into the most productive investment opportunities available inside and outside the company. This encourages management to be more careful and prudent when investing cash. After all, this is cash that is owed to the stockholder or owned by the stockholder.

The dividend penalty encourages a dangerous buildup of debt and discourages using cash to finance internal investments. Heavy business debt makes companies less stable. The cost of debt is artificially low compared to using cash because of the double taxation of dividends. Interest payments on debt are subsidized by the Tax Code as an expense. In other words, we encourage corporate indebtedness by this very method. Dividends, on the other hand,